

THE WHITE HOUSE
WASHINGTON

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September 1, 1978

MEMORANDUM FOR: THE VICE PRESIDENT
FROM: HENRY OWEN ^{VO}
SUBJECT: Allis Chalmers

The Allis Chalmers bid is to supply 20 turbines worth \$400 million for a \$4.6 billion hydroelectric facility between Argentina and Paraguay. Allis Chalmers says that the contract would provide over 18 million man-hours of employment (in the US, of which 10% would be minorities, primarily in the steel industry).

There is no thought of ExIm Bank giving a commitment at this stage. All that is needed is "a letter of interest", such as ExIm routinely issues, and which says that this is the kind of project in which ExIm generally takes an interest but that it will have to be judged, when application is made (probably about 18 months hence), in light of the situation existing at the time, including whether the requirements of relevant legislation are fulfilled.

We need some Argentine movement to explain why we are issuing such a letter, when we refused to issue it earlier, but we should be satisfied with the kind of limited progress that we might reasonably expect Videla to signal in his meeting with you. Then when the issue has to be decided, a year and a half hence, we could judge whether more far-reaching progress has been achieved.

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President Videla and the Decision Making Process

On August 1, Lieutenant General Jorge Videla retired from the Army, resigned his position on the ruling Junta and became the full-time civilian President of Argentina. This new role has modified, but not radically changed, a decision making system in which:

- the tri-service (Army, Navy and Air Force) nature of the government is stressed;
- the Army is, nonetheless, the predominant service (60% of Armed Services personnel) and can enforce its will on the two junior services if it chooses;
- compromise to preserve military unity is generally achieved;
- Videla seems comfortable with the dynamics of the government, which often require drawn-out inter-service negotiations before decisions can be reached.

Since the Junta took power, Videla has had to confront sniping from the politically ambitious Navy CINC, Admiral Massera. Willing to compromise on most issues, Videla has been able to maintain a decent working relationship with Massera, often in the face of considerable provocation. Videla's relations with Massera have mirrored his handling of the rival factions within the Army. The military hard liners, who have opposed the President's relatively moderate stance on human rights, have been restrained from carrying out widespread purges of ex-politicians, but they have been able to maintain their positions in key posts, such as Commander of the Buenos Aires and Cordoba Army Corps.

Because he does reflect a consensus of military views on how to handle terrorists -- eliminate them -- Videla has been able to move on peripheral questions such as publishing lists of prisoners and restoring the right of option (see Human Rights). His thinking on the equally difficult question of how to revitalize the economy has also reflected a military consensus toward the de-emphasis of the role of the state in the economy and a loosening

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of controls over the exchange rate. Again, however, Videla has supported populist-like measures to control unemployment.

Videla rules by compromise; he is not a classic Latin American dictator. Given the potential inter-service rivalries and the divisions within the Army, it is likely that he would not be able to govern in any other fashion.

Videla's latitude to set as well as execute policy will probably be decided in an ad hoc manner over the coming months. Critical to Videla's success will be the degree to which he retains Army support through Army Commander Viola. The two share moderate policy outlooks and have a close working relationship. Viola, however, will have to work assiduously to placate hardline Army elements and maintain their support. If he can do so, the Videla-Viola alliance can be expected to reflect, and wield when necessary, the Army's power edge. The Air Force and Navy, on the other hand, will be seeking to guarantee continuation of the tri-service governing arrangement by ensuring that the Videla-Viola connection is not translated into a de facto government by the Army.

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VIDELA'S STYLE

President Jorge Videla is known as a devoted family man, a devout Catholic and a man who values traditions. These are traits he shares with many of his brother officers. In many other ways, however, he is not at all typical of the Argentine officer establishment. He did not want to be President. Quiet and unassuming, he sometimes gives the impression of being self-effacing rather than forceful, a characteristic some of his military colleagues find hard to understand: they mistake it for weakness.

A moderate, Videla appears genuinely to abhor the excesses of which elements of the military have been guilty during his presidency. Some of these excesses, indeed, have been directed at his own people. The Secretary General of the presidential office was recently bombed by right-wing elements, for example, and Videla's ambassador to Caracas was kidnapped and murdered while on leave in Buenos Aires.

Videla's style is to avoid confrontation. He is a consensus leader. Thus, since most military leaders advocate harsh measures against terrorism, he would have difficulty opposing the consensus. Moreover, he is probably unsure of his own strength in the military and would thus fear to confront and demand obedience of the hardliners, even if he were so disposed, for fear that this might lead to dangerous schisms in the Armed Forces and possibly to his own ouster. He has therefore opted to work quietly and carefully to strengthen his own hand and exert only gradual pressure on the hardliners. Whether this tactic will in the end prove successful is an open question.

Videla is personally disposed to be friendly to the U.S. Growing disagreements over the human rights issues, however, have irritated many of his brother officers and forced Videla's government toward something of an adversary relationship. Videla would probably like to limit this trend to the extent possible.

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VIDELA'S STYLE

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9/1/1978

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JACOBO TIMERMAN

Arrested in April 1977, Timerman published one of Argentina's leading daily newspapers, La Opinion. There were accusations that Timerman was involved with deceased Argentine financier David Graiver, who reportedly financed La Opinion from money supplied by the Montoneros terrorist group. However the Argentine Supreme Court has ruled that there are no grounds for holding him in custody and ordered his release. A Military Tribunal has cleared him of accusations that he supported radical leftist groups.

Timerman was released to house arrest in April of this year, although this was a considerable improvement over jail, he still is unable to communicate with anyone but his immediate family.

Timerman is a leader of the Argentine Jewish community and his arrest led to public complaints of anti-semitism from the American Jewish community. (Argentine Jewry is very concerned about Timerman, but less outspoken).

The Department has repeatedly brought up his case with the Argentines. President Carter spoke to President Videla about Timerman during their 1977 bilateral and Secretary Vance brought it up when he visited Buenos Aires in November.

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VP ~~visit~~ visit to Rome + Vatican, 9/2/78-9/4/78: ~~Program~~
Schedule

Meeting w Pres Videla of Argentina